

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Agriculture and Forestry
State of Louisiana
Baton Rouge, Louisiana

December 28, 2000



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

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DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2000
With Supplemental Information Schedules

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 28, 2000

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2000
With Supplemental Information Schedules

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DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
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December 20, 2000

Independent Auditor's Report
on the Financial Statements

HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Louisiana Department of Agriculture and Forestry, a department within Louisiana state government, as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Department of Agriculture and Forestry. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Louisiana Department of Agriculture and Forestry. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activity of the department that is part of the General Fund of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated funds. These procedures differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR

HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Audit Report, June 30, 2000

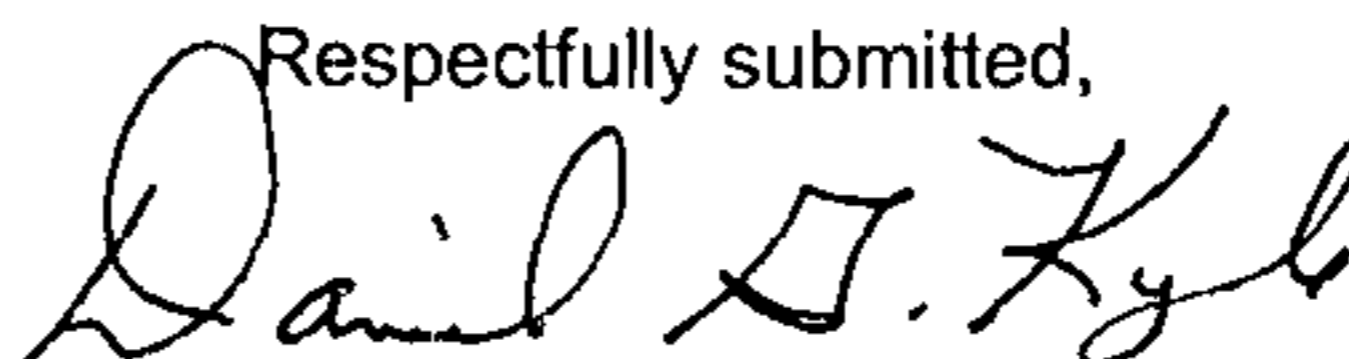
As discussed in note 1-B, certain boards and commissions that have been placed within the Louisiana Department of Agriculture and Forestry by the Executive Reorganization Act continue to maintain their own accounting records and are not included in the accompanying financial statements. Transactions of these boards and commissions are reported separately.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Louisiana Department of Agriculture and Forestry at June 30, 2000, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2000, on our consideration of the Louisiana Department of Agriculture and Forestry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and have been subjected to the auditing procedures applied in the audit of the special purpose financial statements and, in our opinion, are stated fairly in all material respects in relation to the special purpose financial statements taken as a whole.

This report is intended solely for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

BQD:DLH:DSP:dl

[AGFOR00]

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

Balance Sheet (Legal Basis), June 30, 2000

		NON-
	GENERAL APPROPRIATION FUND	LICENSING AND REGULATORY BOARDS TRUST FUNDS
ASSETS		
Cash (note 2)	\$4,076,867	\$79,908
Receivables (note 3)	417,080	508,083
Due from others (note 4)	4,841,840	
Loans receivable (note 5)	3,455,657	
Inventory of materials and supplies (note 6)	3,607,263	
	<u>\$16,398,707</u>	<u>\$587,991</u>
TOTAL ASSETS		
LIABILITIES AND FUND EQUITY		
Liabilities:		
Payables (note 12)	\$4,473,238	\$63,034
Advances due to state treasury (note 15)	848,092	
Major state revenues and income not available due to state treasury	4,321,410	90,200
Due to others (note 4)		
Amounts held in custody for others	71,780	
Deferred revenue	<u>9,714,520</u>	<u>153,234</u>
Total Liabilities		
Fund Equity:		
Fund balances - reserved for:		
Inventory of materials and supplies	3,607,263	
Continuing operations (note 16)	3,916,505	
Debt service (note 17)		434,757
Unreserved - undesignated (deficit) (note 18)	(839,581)	
Total Fund Equity	<u>6,684,187</u>	<u>434,757</u>
	<u>\$16,398,707</u>	<u>\$587,991</u>
TOTAL LIABILITIES AND FUND EQUITY		

The accompanying notes are an integral part of this statement.

Statement A

APPROPRIATED FUNDS				
AGENCY FUNDS				
SOIL AND WATER CONSERVATION DISTRICTS CLEARING FUND	PAYROLL CLEARING FUND	OTHER AGENCY FUNDS	MAJOR STATE REVENUES AND INCOME NOT AVAILABLE	TOTAL (MEMORANDUM ONLY)
\$12,244	\$907,219	\$2,568 62	\$4,505,029	\$5,078,806 5,430,254 4,841,840 3,455,657 3,607,263
<u>\$12,244</u>	<u>\$907,219</u>	<u>\$2,630</u>	<u>\$4,505,029</u>	<u>\$22,413,820</u>
	\$907,219	\$69		\$5,443,560 848,092
			\$4,505,029	4,505,029 4,411,610 14,805 71,780
<u>12,244</u>	<u>907,219</u>	<u>2,630</u>	<u>4,505,029</u>	<u>15,294,876</u>
				3,607,263 3,916,505 434,757 (839,581)
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>7,118,944</u>
<u>\$12,244</u>	<u>\$907,219</u>	<u>\$2,630</u>	<u>\$4,505,029</u>	<u>\$22,413,820</u>

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND AND
NON-APPROPRIATED TRUST FUNDS**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance (Legal Basis)
For the Year Ended June 30, 2000**

	GENERAL APPROPRIATION FUND	NON-APPROPRIATED LICENSING AND REGULATORY BOARDS TRUST FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES			
Appropriated by legislature:			
State General Fund	\$38,690,718		\$38,690,718
State General Fund by fees and self-generated revenues	6,947,806		6,947,806
State General Fund by interagency transfers	395,274		395,274
Federal funds	6,650,025		6,650,025
Auxiliary funds	2,492,793		2,492,793
Non-appropriated revenues		\$4,619,568	4,619,568
Total revenues	<u>55,176,616</u>	<u>4,619,568</u>	<u>59,796,184</u>
EXPENDITURES			
Appropriated expenditures:			
Office of Management and Finance	14,967,685		14,967,685
Office of Marketing	2,678,240		2,678,240
Office of Agricultural and Environmental Sciences	42,882,075		42,882,075
Office of Animal Health Services	9,368,725		9,368,725
Office of Agro-Consumer Services	4,065,990		4,065,990
Office of Forestry	16,243,753		16,243,753
Office of Soil and Water Conservation	2,283,355		2,283,355
Auxiliary funds	2,725,337		2,725,337
Non-appropriated expenditures		3,569,423	3,569,423
Total expenditures	<u>95,215,160</u>	<u>3,569,423</u>	<u>98,784,583</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(40,038,544)	1,050,145	(38,988,399)
OTHER FINANCING SOURCES (Uses) (note 20)			
Transfers in (note 20)	43,774,039	617,976	44,392,015
Transfers out (note 20)	<u>(4,634,940)</u>	<u>(3,140,000)</u>	<u>(7,774,940)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(899,445)	(1,471,879)	(2,371,324)
FUND BALANCE AT BEGINNING OF YEAR	5,013,513	1,906,636	6,920,149
INCREASE IN RESERVE FOR INVENTORY	2,423,377	NONE	2,423,377
ADJUSTMENTS (note 19)	<u>146,742</u>	<u>NONE</u>	<u>146,742</u>
FUND BALANCE AT END OF YEAR	<u>\$6,684,187</u>	<u>\$434,757</u>	<u>\$7,118,944</u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and
Unexpended Appropriation - Budget
Comparison of Current-Year Appropriation -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 2000**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Appropriated by legislature:			
State General Fund	\$41,805,404	\$38,690,718	(\$3,114,686)
State General Fund by fees and self-generated revenues	15,245,177	10,438,804	(4,806,373)
State General Fund by interagency transfers	836,189	395,274	(440,915)
Federal funds	7,475,428	6,772,459	(702,969)
Other fund sources:			
Agricultural Commodities Self-Insurance Program Fund	150,000	150,000	
Boll Weevil Eradication Fund	42,536,827	42,970,552	433,725
Feed Commission Fund	451,960	451,960	
Fertilizer Commission Fund	1,000,000		(1,000,000)
Forest Protection Fund	800,000	789,342	(10,658)
Forestry Productivity Fund	4,500,000	3,120,072	(1,379,928)
Louisiana Agricultural Finance Authority	154,344		(154,344)
Pesticide Fund	2,813,891	2,500,000	(313,891)
Petroleum and Petroleum Products Fund	800,000	713,455	(86,545)
Structural Pest Control Commission Fund	541,550	541,550	
Total appropriated revenues	<u>119,110,770</u>	<u>107,534,186</u>	<u>(11,576,584)</u>
EXPENDITURES			
Appropriated for:			
Office of Management and Finance	15,950,485	15,156,237	794,248
Office of Marketing	2,845,362	2,702,920	142,442
Office of Agricultural and Environmental Sciences	56,222,174	53,496,912	2,725,262
Office of Animal Health Services	9,579,105	9,576,912	2,193
Office of Agro-Consumer Services	4,211,142	4,148,005	63,137
Office of Forestry	17,717,670	16,503,580	1,214,090
Office of Soil and Water Conservation	2,312,179	2,295,045	17,134
Auxiliary	8,272,244	3,062,111	5,210,133
Spending freeze	2,000,409		2,000,409
Total appropriated expenditures	<u>119,110,770</u>	<u>106,941,722</u>	<u>12,169,048</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR	<u>NONE</u>	<u>\$592,464</u>	<u>\$592,464</u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2000

INTRODUCTION

The Louisiana Department of Agriculture and Forestry is a department within Louisiana state government. The department was created in accordance with Title 36, Chapter 14 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is charged with all functions relating to promotion, protection, and advancement of agriculture and forestry, except research and educational functions expressly allocated by the constitution or by law to other state agencies within the State of Louisiana.

The Louisiana Department of Agriculture and Forestry consists of the Office of Management and Finance, the Office of Marketing, the Office of Agricultural and Environmental Sciences, the Office of Animal Health Services, the Office of Agro-Consumer Services, the Office of Forestry, and the Office of Soil and Water Conservation. The offices of the department are funded by one general appropriation and five auxiliary appropriations. The department has approximately 764 full-time employees with work locations throughout the state. In addition to providing various state-funded agricultural and forestry related programs, the department also administers various agricultural related programs for the United States Department of Agriculture, the United States Department of Commerce, the United States Environmental Protection Agency, and the United States Department of Health and Human Services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The accompanying financial statements represent activity of a department of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The Louisiana Agricultural Finance Authority is created within the Department of Agriculture and Forestry under Louisiana Revised Statute (R.S.) 3:264. The authority maintains land and buildings throughout the state for use by the department, including the Headquarters Building Complex. Per diem and travel paid to authority members and operating expenses of the authority are included in the accompanying financial statements. The authority is subject to separate reporting and audit.

Certain boards and commissions that were included in the Reorganization Act under the Department of Agriculture and Forestry are not appropriated and are not included in the accompanying financial statements. These boards and commissions, subject to separate reporting and audit, are as follows:

	<u>Louisiana Revised Statute</u>
Louisiana Egg Commission	3:551.2
Louisiana Strawberry Marketing Board	3:473
Louisiana Sweet Potato Advertising and Development Commission	3:453
Dairy Industry Promotion Board	3:557.4

The department collects and remits fees for certain boards and commissions less the actual cost of administering the collections up to a specified percentage established by statute. These boards and commissions are reported in an agency fund within the department's financial statements; however, the actual operations of these boards and commissions are subject to separate reporting and audit as follows:

	<u>Louisiana Revised Statute</u>
Louisiana Crawfish Promotion and Research Board	3:556.3
Louisiana Soybean and Grain Research and Promotion Board	3:551.32
Louisiana Rice Promotion Board	3:551.63
Louisiana Rice Research Board	3:551.73
Louisiana Catfish Promotion and Research Board	3:558.3

C. FUND ACCOUNTING

The department uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position of its non-appropriated funds. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

Generally, noncurrent assets, general fixed assets, and long-term liabilities are reflected only in the State of Louisiana's general purpose financial statements. However, noncurrent assets are included in the department's financial statements for the Farm Youth Loan Program and other programs of the State Market Commission.

The funds presented in the special purpose financial statements are described as follows:

APPROPRIATED FUNDS

General Appropriation Fund

The General Appropriation Fund is a single legislative appropriation comprised of seven separate budget units as follows:

1. The Office of Management and Finance provides accounting, budget preparation and control, procurement, contract management, management and program analysis, data processing, and personnel management.
2. The Office of Marketing provides programs for the development and growth of markets for Louisiana agricultural products.
3. The Office of Agricultural and Environmental Sciences performs technical services and laboratory functions for the farmers of the state and performs functions designed to improve seed certification; increases production of rice and nursery stock; protects Louisiana from the introduction and spread of injurious insect pests and plant diseases; samples pesticides, feeds, and fertilizer and agricultural minerals to assure that they meet all requirements of laws and regulations; regulates the treatment and storage or disposal of pesticide wastes; trains and certifies pesticide applicators; and performs other related functions. The activities of the Boll Weevil Eradication Commission are accounted for within this office.
4. The Office of Animal Health Services is responsible for the inspection and grading of meat, the control and eradication of infectious diseases that infect the livestock and poultry industries of the state, and the control of livestock theft in Louisiana.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

5. The Office of Agro-Consumer Services performs the functions of the state relating to the inspection of poultry and dairy products, the regulation of weights and measures, the classification of perishable commodities, the licensing and inspection of statewide bonded warehouses, and such other functions that ensure quality agricultural products for the consumer.
6. The Office of Forestry provides for the protection, management, preservation, and replenishment of forest lands of the State of Louisiana.
7. The Office of Soil and Water Conservation provides assistance in the organization of Soil and Water Conservation Districts, assistance in the management of small watersheds, management assistance to coastal wetlands owners, preventative flood control and sediment damage measures, and an estuaries and groundwater pollution protection plan for the state. In addition, the office is responsible for providing direct cooperation with the United States Department of Agriculture Soil Conservation Service.

Auxiliary Appropriation Funds

Included within the General Appropriation Fund are the auxiliary appropriation funds. The auxiliary appropriation funds provide goods or services to the public or to other state agencies for a fee as authorized by the Louisiana Legislature through the general appropriation act. The measurement focus is not on income determination but on the reduction of state General Fund subsidization. The auxiliary appropriation funds are as follows:

1. The Farm Youth Loan Program is administered by the State Market Commission to provide loans and loan guarantee programs to individuals, ages 10 to 20, who are members of any 4-H, Future Farmers of America, or other farm youth organization that is functioning within the state school system. The program provides for direct loans or for loan guarantees of up to 75% of any loan made by a bank, financial institution, or federal department to any person eligible for direct loan. The parent is required to co-sign the application, making the parent equally responsible. The maximum amount of a direct loan or a loan guarantee is \$3,000, and the repayment period must not exceed five years.
2. The Loan Program of the Market Commission administers loans and loan guarantee programs for constructing, purchasing, or improving any agricultural plant that processes or stores Louisiana

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

farm products. The Agriculture Loan Program Market Commission Fund accounts for such loans or loan guarantees.

3. The Indian Creek Reservoir and Recreation Program accounts for the activities of the Indian Creek Reservoir and Recreation Area. Monies derived from fees and services are restricted for recreation related expenditures.
4. The Nurseries Program accounts for the activities relating to the harvesting, processing, storage, and sale of tree seeds and seedlings. The program is committed to producing high quality genetically improved loblolly, slash, and other various species of pine trees.
5. The Agricultural Commodities Commission Self-Insurance Program is used to provide a means to self-insure the Agricultural Commodities Commission and the department for any loss that may be incurred relating to the operations of the commission. The commission is responsible for grain grading and inspections, grain warehousing, and grain dealers and cotton buyers licensing. The commission has acknowledged exposure in the area of warehousing and has established this fund as a means to cover its exposure.

NON-APPROPRIATED FUNDS

Licensing and Regulatory Boards Trust Funds

The department collects pesticide funds, fertilizer funds, and feed commission funds that are used to guarantee revenue bonds. The funds are transferred to the Louisiana Agricultural Finance Authority as needed to pay bonded debt and construction expenditures. Excess amounts are remitted to the state treasury for deposit to statutorily dedicated funds and then drawn by the department as appropriated.

**Soil and Water Conservation Districts
Clearing Agency Fund**

The Soil and Water Conservation Districts Clearing Fund is used by the department to account for the net payroll and related payroll deductions for the individual soil and water conservation districts.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Payroll Clearing Agency Fund

The Payroll Clearing Fund accounts for payroll deductions and accrued benefits.

Other Agency Funds

The department collects and distributes certain fees and assessments for various boards and organizations. These collections are not available to the department and are not shown on Statement B.

**Major State Revenues and
Income Not Available**

The department collects major state revenues that are remitted to the state treasury for deposit to statutorily dedicated funds. In addition, the department collects funds specifically identified by the Division of Administration, State Budget Office as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditure and, therefore, are not included on Statement B but are detailed on Schedule 3.

The non-appropriated funds, major state revenues and income not available, and the agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the department. This differs from generally accepted accounting principles in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy. These legal requirements differ from generally accepted accounting principles as follows:

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the department and not necessarily when the fund liability has been incurred.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

Revenues

State General Fund appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues, interagency receipts, auxiliary funds, and non-appropriated revenues are recognized in the amounts earned to the extent that they will be collected within 45 days of the close of the fiscal year. Federal funds are recognized as revenue in the period in which they become susceptible to accrual or when the related expenditure is incurred, in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section G60.111.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recognized as expenditures when paid.

Other Financing Sources (Uses)

Other financing sources are recognized under the modified accrual basis of accounting, to the extent that they are both measurable and available. Other financing uses are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. BUDGET PRACTICES

The appropriations made for the general operations of the department are annual lapsing appropriations and are recorded in the General Appropriation Fund. The auxiliary funds are authorized and controlled through the general appropriation act.

1. The budget process for general appropriations and auxiliary appropriations is an annual appropriation valid for one year. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-D, except that transfers in and out for statutory dedicated funds and funds carried forward from the prior year are recognized as revenues on Statement C, while federal receivables attributable to the payroll accrual at fiscal year-end are not recognized as revenues on Statement C. Salaries and related benefits are recognized when paid on Statement C. The loan payments/receipts of the auxiliary appropriations (Farm Youth Loan Program and other programs in the State Market Commission) are non-revenue and non-expenditure transactions that are not included on Statement B but are included in

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Statement C. Transfers to the Louisiana Agricultural Finance Authority for the Formosan Termite Program and Boll Weevil Eradication Program are recognized as expenditures on Statement C. The revenues and expenditures shown on Statement B are reconciled with the respective amounts shown on Statement C as follows:

Statement B revenues	\$55,176,616
Add:	
Prior-year federal funds carryover	79,546
Prior-year self-generated funds carryover	990,394
Prior-year statutory dedicated funds carryover	1,278,518
Transfers in - statutory dedicated funds	51,774,038
Principal payments received on loans	327,126
Federal payroll receivable (net)	42,888
Less - transfers out - statutory dedicated funds	<u>(2,134,940)</u>
Statement C revenues	<u><u>\$107,534,186</u></u>
Statement B expenditures	\$95,215,160
Add:	
Loans paid out	279,103
Payroll payable (net)	947,459
Transfer out to the Louisiana Agricultural Finance Authority:	
Payment of debt service for Boll Weevil Eradication Fund loan	8,000,000
Formosan Termite Program expenditures	<u>2,500,000</u>
Statement C expenditures	<u><u>\$106,941,722</u></u>

2. The department is prohibited by statute from over-expending the categories established in the general appropriation act.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as shown on Schedule 4.
4. The auxiliary appropriation funds are allowed to retain year-end balances to finance future expenditures as provided by Act 20, Section 15 of 1999. The non-appropriated funds are not subject to budgetary control.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

F. CASH

Cash includes cash on hand, demand deposits, and cash in state treasury. Under state law, the Louisiana Department of Agriculture and Forestry may deposit funds with a fiscal agent bank approved by the Interim Emergency Board.

G. INVENTORIES

Inventories of materials and supplies are valued at cost, which approximates market, and are recorded as expenditures at the time individual inventory items are purchased. The department uses a perpetual inventory system and values its inventory using the first-in, first-out (FIFO) valuation method.

Inventories of tree seed are valued at the lower of cost or market and are recorded as expenditures at the time seeds are purchased. Only one type of tree seed is purchased, Virginia Pine. All other tree seeds are harvested by department employees from state owned forests. The Columbia Nursery in Columbia, Louisiana, has refrigerated services where all the seeds are stored. A three- to five-year supply of seeds is kept on hand at all times to avoid running out of seeds during the years when there are no seeds gathered. The department conducts an inventory count of the seeds annually. Inventory levels are adjusted and reported to management in the spring when seeds are removed for planting and in the fall when the seeds are harvested and stored.

Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources even though they are components of net current assets.

H. FIXED ASSETS

The Louisiana Department of Agriculture and Forestry maintains records only on its movable properties and does not account for land, buildings, and improvements used by the department. At June 30, 2000, the department has stewardship responsibility for \$35,358,445 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected within the accompanying special purpose financial statements.

A summary of changes in movable property follows:

Balance July 1, 1999	Adjustments	Balance July 1, 1999, restated	Additions	Deletions	Balance June 30, 2000
<u>\$31,968,744</u>	<u>\$607,085</u>	<u>\$32,575,829</u>	<u>\$4,490,180</u>	<u>\$1,707,564</u>	<u>\$35,358,445</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The department has not complied with the movable property statutes of the State of Louisiana regarding recording of acquisitions in the state's movable property system. The department had adjustments for \$607,085 for items purchased and received in fiscal year 1999, but not added to the inventory until fiscal year 2000.

I. LONG-TERM OBLIGATIONS

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

J. ENCUMBRANCES

Encumbrances represent commitments relating to unperformed contracts for goods or services. The department employs encumbrance accounting during the year to assure compliance with the annual appropriation act. Encumbrances are not included in the accompanying financial statements because R.S. 39:82 and the annual appropriation act do not allow the department to charge encumbrances at year-end against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared. The department has no encumbrances at June 30, 2000.

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave at various rates, depending on their years of service, without limitation on the balance that can be accumulated. Upon separation of employment, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay but are not compensated for unused sick leave. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual and sick leave is not recorded in the accompanying financial statements.

Certain employees of the department are eligible to earn compensatory time, as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hours for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another; however, under federal regulations, certain employees are compensated for unused compensatory leave six months after the end of the quarter in which the leave was earned. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

L. TOTAL COLUMN ON STATEMENTS

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither are such data comparable to a consolidation.

2. CASH

Cash is composed of the following:

Under control of the department:	
Petty cash on hand	\$8,950
Demand deposits	12,744
Interest-bearing demand deposits	121,118
Cash on deposit with the state treasury	<u>4,935,994</u>
Total	<u><u>\$5,078,806</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The department has deposits (collected bank balances) of \$432,039 at June 30, 2000. These deposits are secured from risk by \$249,269 of federal deposit insurance (GASB Risk Category 1) and \$182,770 of pledged securities held by the department's agent in the department's name (GASB Risk Category 1).

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by generally accepted accounting principles are included within the state's general purpose financial statements. The following is a summary of cash in the state treasury:

Means of finance	\$2,052,974
Operating account	1,975,801
Payroll clearing	<u>907,219</u>
Total	<u><u>\$4,935,994</u></u>

The department also maintains a permanent Travel Imprest Fund for \$39,142, as authorized by the commissioner of administration and advanced by the State Treasurer's Office, in accordance with Title 39 of the Louisiana Revised Statutes. The fund is permanently established and periodically replenished from appropriated funds.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

3. RECEIVABLES

The following is a summary of fees and self-generated receivables by fund at June 30, 2000:

Appropriated Fund - fees and self-generated revenue	\$417,080
Non-Appropriated Funds:	
Licensing and Regulatory Boards Trust Funds	
Fees and self-generated revenue:	
Fertilizer Fund collections	341,830
Feed Commission Fund collections	152,674
Pesticide registration fees	6,100
Miscellaneous collections	7,479
Major State Revenues and Income Not Available	4,505,029
Other Agency Funds - Federal Grain Inspection Service	<u>62</u>
Total	<u><u>\$5,430,254</u></u>

4. DUE FROM/TO OTHERS

The following is a summary of amounts due from/to others at June 30, 2000:

	<u>General Appropriation Fund</u>
Due from others:	
Federal government	\$661,443
State Treasury:	
Boll Weevil Eradication Fund	4,004,483
Petroleum and Petroleum Products Fund	104,326
Other agencies - interagency transfers	<u>71,588</u>
Total	<u><u>\$4,841,840</u></u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	General Appropriation Fund	Non-Appropriated - Licensing and Regulatory Boards Trust Funds
Due to others:		
Louisiana Agricultural Finance Authority	\$200,000	\$90,200
State Treasury:		
State General Fund	2,422,167	
Forestry Productivity Fund	1,379,928	
Nurseries Program - self-generated revenue	319,315	
Total	<u>\$4,321,410</u>	<u>\$90,200</u>

5. LOANS RECEIVABLE

The department is responsible for certain loan programs that are established by state law. All loan balances on Statement A are reported at gross, since the department has made no provision for reporting uncollectible amounts. Loans are written off when the department determines them to be uncollectible. A summary of loan activity for the year ended June 30, 2000, follows:

	Farm Youth Loan Program	Loan Program of the Market Commission	Total
Balances at June 30, 1999	\$201,371	\$3,302,309	\$3,503,680
Principal collections	(49,793)	(277,334)	(327,127)
Amounts disbursed for loans	30,229	248,875	279,104
Balances at June 30, 2000	<u>\$181,807</u>	<u>\$3,273,850</u>	<u>\$3,455,657</u>

Prior year loans receivable balances have been adjusted to remove the Louisiana Alligator Market Development Fund for \$1,000,000.

6. INVENTORY OF MATERIALS AND SUPPLIES

The Department of Agriculture and Forestry maintains four categories of inventories: (1) inventories of materials and supplies, which are comprised of office supplies valued at \$39,990; (2) postage meter inventory valued at \$10,700; (3) tree seed inventory, which is valued at \$838,689; and (4) inventories of chemicals and trapping supplies for the Boll Weevil

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Eradication Program valued at \$2,717,884 at June 30, 2000, for a total of \$3,607,263, as reported on Statement A.

7. PENSION PLANS

Substantially all employees of the department are members of the Louisiana State Employees Retirement System, a cost-sharing, multiple-employer defined benefit pension plan. Certain other employees of the department are members of the Louisiana Teachers Retirement System, a cost-sharing, multiple-employer defined benefit pension plan. Required disclosures for the plans for fiscal year 2000 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

8. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The department provides certain continuing health care and life insurance benefits for its retired employees and their beneficiaries. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2000, the cost of retiree benefits for the 637 retirees totaled \$1,972,225.

9. LOAN GUARANTEES

As provided by R.S. 3:446.1-446.7, the Louisiana State Market Commission is authorized to provide loan guarantees to facilitate the processing, storing, and marketing of agricultural products in Louisiana. At June 30, 2000, the Louisiana State Market Commission has the following loan guarantees:

	Loan Amount	Guaranteed Amount	Bank	Outstanding Balance June 30, 2000	
				Principal	Interest
Louisiana Pacific Corporation	\$8,690,000	\$8,690,000	The Bank of New York	\$8,550,000	
Roggwiller Tannery of Louisiana, Incorporated	3,000,000	2,700,000	Central Bank	162,768	\$472
Tannery Acadiana Reptiles and Alligators	250,000	225,000	MidSouth National Bank	94,428	20,248
Total	<u>\$11,940,000</u>	<u>\$11,615,000</u>		<u>\$8,807,196</u>	<u>\$20,720</u>

These loan guarantees are not included in the department's financial statements.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

**10. JUDGMENTS, CLAIMS, AND
SIMILAR CONTINGENCIES**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The department is involved in 14 lawsuits at June 30, 2000, handled by contract attorneys. The department's attorneys do not expect the suits to result in a liability to the department in excess of insurance coverage.

11. COMPENSATED ABSENCES

The liability for unused annual leave payable at June 30, 2000, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$3,624,864. The leave payable is not recorded in the accompanying special purpose financial statements.

The liability for accrued compensatory leave at June 30, 2000, computed in accordance with GASB Codification Section C60.105, is estimated to be \$359,746. Accumulated compensatory leave is not recorded in the accompanying special purpose financial statements.

12. PAYABLES

The following is a summary of payables at June 30, 2000:

	Accounts Payable	Accrued Payroll Payable	Payroll Deductions Payable	Accrued Employees Benefits Payable	Total
General appropriation	\$3,900,366	\$572,872			\$4,473,238
Licensing and Regulatory Boards Trust Funds	63,034				63,034
Payroll Clearing Fund			\$395,027	\$512,192	907,219
Other Agency Funds - Federal Grain Inspection Service	69				69
Total	<u>\$3,963,469</u>	<u>\$572,872</u>	<u>\$395,027</u>	<u>\$512,192</u>	<u>\$5,443,560</u>

13. LEASE OBLIGATIONS

The department has several noncancelable operating leases for rental of land, equipment, and office space. The annual operating lease payments for the next five fiscal years are presented as follows:

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

<u>Fiscal Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Land</u>	<u>Total</u>
2000-2001	\$1,124,651	\$141,817	\$13,205	\$1,279,673
2001-2002	952,892	75,287	13,489	1,041,668
2002-2003	797,760	20,848	10,162	828,770
2003-2004	797,760		3,350	801,110
2004-2005			50	50
Thereafter			1,450	1,450
Total	<u>\$3,673,063</u>	<u>\$237,952</u>	<u>\$41,706</u>	<u>\$3,952,721</u>

All lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. Operating lease expenditures for fiscal year 1999-2000 amounted to \$1,792,942.

The department has a lease agreement with the Louisiana Agricultural Finance Authority (LAFA). LAFA was organized to provide affordable interest rates for investment in agricultural products, commodities, and services by providing capital and credit at interest rates within the financial means of persons and businesses engaged in agriculture and agricultural exports. LAFA is a component unit of the State of Louisiana and is audited separately from the department.

On December 1, 1998, LAFA and the department entered into a lease agreement to construct, furnish, and equip buildings in Hammond, Jonesville, Monroe, Oak Grove, Shreveport-Minden, Winnsboro, and Woodworth, Louisiana. LAFA sold \$4,000,000 of Revenue Bonds, Series 1998, which are secured by pledge of the pesticide registration fees, the Feed Commission Fund revenues, the Fertilizer Fund revenues, and by future lease rental payments from the State of Louisiana as lessee of the aforementioned properties.

The following is a schedule of principal and interest payments on the financial agreements with LAFA.

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding July 1, 1999</u>
Buildings - various cities	December 1, 1998	<u>\$4,000,000</u>	<u>\$4,000,000</u>

The annual requirements for the financial agreements outstanding at June 30, 2000, including interest of \$311,416, are as follows:

<u>Redeemed</u>	<u>Outstanding June 30, 2000</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Interest Outstanding June 30, 2000</u>
<u>(\$640,000)</u>	<u>\$3,360,000</u>	2001-2004	4.51%	<u>\$311,416</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

<u>Fiscal Year</u>	<u>Buildings - Various Cities</u>
2001	\$860,768
2002	936,133
2003	939,150
2004	<u>935,365</u>
Total	<u><u>\$3,671,416</u></u>

14. INSTALLMENT PURCHASES

In fiscal year 1999, the department entered into various installment purchase agreements with the Division of Administration under the Louisiana Equipment Acquisition Fund Program for the purchase of equipment. The following is a summary of installment transactions of the department for the year ended June 30, 2000:

Balance at June 30, 1999	\$833,108
Installment payments	<u>(365,325)</u>
Total	<u><u>\$467,783</u></u>

The following is a summary of future minimum installment payments as of June 30, 2000:

<u>Fiscal Year</u>	
2000-2001	\$392,364
2001-2002	<u>87,920</u>
Net minimum installment payments	480,284
Less - amount representing interest	<u>(12,501)</u>
Total	<u><u>\$467,783</u></u>

The department entered into three master installment purchase agreements with GE Capital Public Finance, Inc., for the purchase of equipment. The following is a summary of installment transactions of the department for the year ended June 30, 2000:

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Balance at June 30, 1999	\$2,691,696
Installment payments	<u>(748,313)</u>
Total	<u><u>\$1,943,383</u></u>

The following is a summary of future minimum installment payments as of June 30, 2000:

<u>Fiscal Year</u>	
2000-2001	\$577,861
2001-2002	577,861
2002-2003	577,861
2003-2004	<u>365,703</u>
Net minimum installment payments	2,099,286
Less - amount representing interest	<u>(155,902)</u>
Total	<u><u>\$1,943,384</u></u>

15. ADVANCES FROM STATE TREASURY

The department has received advances from the state treasury for imprest fund operations and working capital totaling \$48,092 and \$800,000, respectively. The advances, as reflected in the accompanying statements, represent a liability to the department and must be repaid if not authorized annually.

16. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, at June 30, 2000, the department has reserves for continuing operations totaling \$3,916,505, which may be retained for future expenditures as follows:

<u>Fund</u>	<u>Louisiana Law or Revised Statute</u>	<u>Restricted Balance</u>
Farm Youth Loan Program	Act 19 of 1998	\$439,034
Indian Creek Reservoir and Recreation Program	Act 19 of 1998	20,942
Loan Program of the Market Commission	Act 19 of 1998	2,555,069
Nurseries Program	Act 19 of 1998	<u>901,460</u>
Total		<u><u>\$3,916,505</u></u>

These reserves relate to programs in which the legislature has authorized the department to retain the fund balances to fund future operations of the programs.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

17. RESERVES FOR DEBT SERVICE

The department has reserves for debt service at June 30, 2000, in the Feed Commission Fund (R.S. 3:1907), the Fertilizer Fund (R.S. 3:1317), and the Pesticide Fund (R.S. 3:3210) for \$151,146, \$277,507, and \$6,104, respectively, totaling \$434,757, as shown on Statement A. In accordance with the Louisiana Constitution of 1974, Article 7, Section 9(A)(6), all money received by a state agency shall be deposited immediately upon receipt in the state treasury, except that pledged in connection with the issuance of revenue bonds, other than any surplus. The Feed Commission revenues, the Fertilizer Fund revenues, and the Pesticide Fund registration fees and revenues are assigned to the Louisiana Agricultural Finance Authority 1998 Bond Issue to construct, furnish, and equip buildings in various Louisiana cities.

18. FUND DEFICIT

The General Appropriation Fund has a deficit of \$839,581 for the year ended June 30, 2000. The deficit is the result of the recognition of accrued salaries and related benefits. The deficit will be resolved by paying for salaries and related benefits from fiscal year 2001 funds.

**19. ADJUSTMENTS TO FUND BALANCE
AT BEGINNING OF YEAR**

Adjustments to the beginning fund balance of the General Appropriation Fund, as shown on Statement B, are detailed as follows:

Forestry Productivity Fund carried forward	\$1,278,518
Remove the Louisiana Alligator Market Development Authority	(1,000,000)
Expenditure adjustment	(52,230)
Prior year deferred revenue	<u>(79,546)</u>
Total	<u><u>\$146,742</u></u>

20. OTHER FINANCING SOURCES (USES)

As shown on Statement B, the department had other financing sources (uses). These amounts represent transfers in and out as follows:

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Transfers in:

Appropriated - State Treasury:	
Agricultural Commodities Self-Insurance Fund	\$150,000
Boll Weevil Eradication Fund	35,406,250
Feed Commission Fund	451,960
Forest Protection Fund	789,342
Forest Productivity Fund	3,221,482
Pesticide Fund	2,500,000
Petroleum and Petroleum Products Fund	713,455
Structural Pest Control Commission Fund	541,550
Non-Appropriated - Licensing and Regulatory Boards	
Trust Funds Fertilizer Fund	<u>617,976</u>
Total other financing sources	<u><u>\$44,392,015</u></u>

Transfers out:

Appropriated - State Treasury:	
Boll Weevil Eradication Fund	\$435,697
Forest Productivity Fund	1,379,928
Nurseries Program	319,315
Louisiana Agricultural Finance Authority -	
Formosan Termite Program	2,500,000
Non-Appropriated:	
Louisiana Agricultural Finance Authority - Building debt	640,000
State Treasury for Major State Revenues - Pesticide Fund	<u>2,500,000</u>
Total other financing uses	<u><u>\$7,774,940</u></u>

21. NON-MONETARY FEDERAL PROGRAMS

The accompanying financial statements do not include food commodities distributed by the department or surplus commodities on hand at June 30, 2000, under the Emergency Food Assistance Program (Food Commodities) and Food Distribution Program, Catalog of Federal Domestic Assistance Nos. 10.569 and 10.550, respectively. During the year ended June 30, 2000, the department recorded food distributions totaling \$24,566,609 for these programs. The value of surplus commodities on hand in several public warehouses and one department operated warehouse is \$3,157,605.

The accompanying financial statements also do not include chemicals received for the Boll Weevil Eradication Program from the federal government under the Plant and Animal Disease, Pest Control, and Animal Care Program, Catalog of Federal Domestic Assistance No. 10.025. During the year ended June 30, 2000, the department recorded chemicals received totaling \$2,819,760. As of June 30, 2000, the department has used all the chemicals received.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

22. ANCILLARY APPROPRIATIONS

Included in the General Appropriation Fund in the accompanying financial statements are ancillary appropriations made to the department in accordance with Act 10 of 1999. Accounting records are maintained by the department to identify activity in the auxiliary funds. At June 30, 2000, the accounts of the auxiliary funds reflect the balances shown on Schedule 6.

23. LEASE OF CATFISH PROCESSING PLANT

The Louisiana Department of Agriculture and Forestry, through the State Market Commission, became a loan guarantor, as allowed by R.S. 3:446.3(F)(6), for Louisiana Catfish, Incorporated, on April 22, 1987. Louisiana Catfish, Incorporated, a catfish processing plant, was placed under a receiver by a state judge on September 14, 1990. The receiver placed the company in federal bankruptcy on September 17, 1990.

To protect itself as a loan guarantor, the State Market Commission purchased the catfish plant on December 18, 1990, for \$1,650,000 by an act of sale with an assumption of mortgage owed to Concordia Bank and Trust of \$1,350,916. On February 4, 1991, the State Market Commission entered into a lease-purchase agreement with Cargill, Incorporated, for 10 years. On December 15, 1993, Cargill, Incorporated, canceled its lease of the catfish plant. On this same date, Southern Farm Fish Processors, Incorporated, an Arkansas corporation, entered into a lease on the catfish plant that resulted in no break in the plant's operations. On September 10, 1996, Southern Farm Fish Processors, Incorporated, canceled its lease of the catfish plant.

On February 10, 1997, the State Market Commission and Wisner Minnow Hatchery, Incorporated, entered into a seven-year lease agreement with an option to purchase the catfish plant. The owners of Wisner Minnow Hatchery, Incorporated, paid the State Market Commission \$353,560 and assumed the balance of the mortgage with Concordia Bank and Trust. The owners of Wisner Minnow Hatchery, Incorporated, personally endorsed the assumed mortgage, and the State Market Commission is guarantor for the mortgage balance. Monthly rental payments on the assumed mortgage are \$8,882, paid directly to Concordia Bank and Trust. The remaining debt to the commission of \$1,828,575 was written off on June 30, 1997. The balance of the mortgage at June 30, 2000, is \$331,301.

24. BOLL WEEVIL ERADICATION COMMISSION PROGRAM

R.S. 3:1601-1617 creates and authorizes the Boll Weevil Eradication Commission to suppress or eradicate the boll weevil and to cooperate with state and federal agencies in the administration of cost-sharing programs for the suppression or eradication of the boll weevil. All assessments, fees, penalties, and other funds received by the commission shall fund any and all other costs related to the eradication of boll weevils.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

Act 19 of the 1998 Regular Session appropriated the first installment of the state's participation in a five-year Boll Weevil Eradication Commission Program, subject to the Louisiana farmers' approval of the program. The farmers are required to contribute 50% of the costs of the program. Through a referendum in September 1998, the Louisiana farmers voted for and approved the program. A levy of \$10-\$35 per acre of cotton will be used as the farmers' 50% share. This levy will be in place each year for the five years of the program and will be payable at the time the farmers make their Certification of Cotton Acreage at the federal Farm Service Agency.

LAFA is responsible for incurring any debt necessary to fund the state's share of the program. The state's 50% share of the program will be \$50,000,000, funded with an \$8,000,000 annual appropriation to the department to repay debt incurred by LAFA.

In August 1998, the Joint Legislative Committee on the Budget approved a plan submitted by the commissioner of agriculture and forestry for boll weevil eradication. To implement the plan, the department entered into a cooperative endeavor agreement with the Office of the Governor, the Division of Administration, LAFA, and the Louisiana Boll Weevil Eradication Commission.

25. DEFERRED COMPENSATION PLAN

Certain employees of the Department of Agriculture and Forestry participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Year Ended June 30, 2000**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - NON-APPROPRIATED
SOIL AND WATER CONSERVATION DISTRICTS CLEARING
AND PAYROLL CLEARING FUNDS**

Schedule 1 presents the changes in assets and liabilities resulting from the activities of the Non-Appropriated - Soil and Water Conservation Districts Clearing and Payroll Clearing Funds that are under the control of the department.

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - OTHER AGENCY FUNDS

Schedule 2 presents the changes in assets and liabilities resulting from the activities of other agency funds that are under the control of the department.

**SCHEDULE OF NON-APPROPRIATED REVENUES -
MAJOR STATE REVENUES AND INCOME NOT AVAILABLE**

Schedule 3 reflects major state revenues and income not available collected by the department during the year that were not available to the department for expenditure.

**SCHEDULE OF ADJUSTMENTS TO ORIGINAL
APPROVED BUDGETS - APPROPRIATED FUNDS**

Adjustments to the original approved budgets, as shown on Schedule 4, are presented to describe the amendments to the amounts originally appropriated by the Louisiana Legislature by Act 10 of 1999.

SCHEDULE OF PER DIEM PAID COMMISSION MEMBERS

The per diem paid commission members is presented on Schedule 5, as required by House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

**SCHEDULE OF AUXILIARY ACCOUNT BALANCES -
ANCILLARY APPROPRIATION FUNDS**

Schedule 6 presents the account balances of the various auxiliary funds at June 30, 2000.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
NON-APPROPRIATED - SOIL AND WATER
CONSERVATION DISTRICTS CLEARING
AND PAYROLL CLEARING FUNDS

Schedule of Changes in Assets and Liabilities
For the Years Ended June 30, 2000

	BALANCE JULY 1, 1999	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2000
<u>Soil and Water Conservation</u> <u>Districts Clearing Fund</u>				
ASSETS				
Cash	\$6,830	\$1,585,596	(\$1,580,182)	\$12,244
LIABILITIES				
Amounts held in custody for others	\$6,830	\$1,585,596	(\$1,580,182)	\$12,244
<u>Payroll Clearing Fund</u>				
ASSETS				
Cash	\$668,218	\$17,366,224	(\$17,127,223)	\$907,219
LIABILITIES				
Amounts held in custody for others	\$668,218	\$17,366,224	(\$17,127,223)	\$907,219

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
NON-APPROPRIATED - OTHER AGENCY FUNDS**

**Schedule of Changes in Assets and Liabilities
For the Year Ended June 30, 2000**

	<u>BALANCE</u> <u>JULY 1, 1999</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2000</u>
<u>Crawfish Promotion and Research Board</u>				
ASSETS				
Cash	<u>\$100</u>	<u>\$51,813</u>	<u>(\$51,813)</u>	<u>\$100</u>
LIABILITIES				
Amounts held in custody for others	<u>\$100</u>	<u>\$51,813</u>	<u>(\$51,813)</u>	<u>\$100</u>
<u>Soybean and Grain Research and Promotion Board</u>				
ASSETS				
Cash	<u>\$100</u>	<u>\$922,784</u>	<u>(\$922,784)</u>	<u>\$100</u>
LIABILITIES				
Amounts held in custody for others	<u>\$100</u>	<u>\$922,784</u>	<u>(\$922,784)</u>	<u>\$100</u>
<u>Rice Promotion Board</u>				
ASSETS				
Cash	<u>\$100</u>	<u>\$995,477</u>	<u>(\$995,477)</u>	<u>\$100</u>
LIABILITIES				
Amounts held in custody for others	<u>\$100</u>	<u>\$995,477</u>	<u>(\$995,477)</u>	<u>\$100</u>
<u>Rice Research Board</u>				
ASSETS				
Cash	<u>\$100</u>	<u>\$1,639,172</u>	<u>(\$1,639,172)</u>	<u>\$100</u>
LIABILITIES				
Amounts held in custody for others	<u>\$100</u>	<u>\$1,639,172</u>	<u>(\$1,639,172)</u>	<u>\$100</u>
<u>Cattfish Promotion and Research Board</u>				
ASSETS				
Cash	<u>\$100</u>	<u>\$80,590</u>	<u>(\$80,590)</u>	<u>\$100</u>
LIABILITIES				
Amounts held in custody for others	<u>\$100</u>	<u>\$80,590</u>	<u>(\$80,590)</u>	<u>\$100</u>

(Continued)

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
NON-APPROPRIATED - OTHER AGENCY FUNDS
Schedule of Changes in Assets and Liabilities, 2000

	BALANCE JULY 1, 1999	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2000
<u>Federal Grain Inspection Service</u>				
ASSETS				
Cash	\$1,999	\$4,085	(\$4,016)	\$2,068
Receivables		62		62
Total Assets	<u>\$1,999</u>	<u>\$4,147</u>	<u>(\$4,016)</u>	<u>\$2,130</u>
LIABILITIES				
Accounts payable		\$69		\$69
Amounts held in custody for others	<u>\$1,999</u>	<u>4,148</u>	<u>(\$4,086)</u>	<u>2,061</u>
Total Liabilities	<u>\$1,999</u>	<u>\$4,217</u>	<u>(\$4,086)</u>	<u>\$2,130</u>
<u>Total</u>				
ASSETS				
Cash	\$2,499	\$3,693,921	(\$3,693,852)	\$2,568
Receivables		62		62
Total Assets	<u>\$2,499</u>	<u>\$3,693,983</u>	<u>(\$3,693,852)</u>	<u>\$2,630</u>
LIABILITIES				
Accounts payable		\$69		\$69
Amounts held in custody for others	<u>\$2,499</u>	<u>3,693,984</u>	<u>(3,693,922)</u>	<u>2,561</u>
Total Liabilities	<u>\$2,499</u>	<u>\$3,694,053</u>	<u>(\$3,693,922)</u>	<u>\$2,630</u>

(Concluded)

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
MAJOR STATE REVENUES AND
INCOME NOT AVAILABLE**

**Schedule of Non-Appropriated Revenues
For the Year Ended June 30, 2000**

<u>NON-APPROPRIATED REVENUE FUND SOURCE</u>	<u>CASH RECEIPTS THROUGH JUNE 30, 2000</u>	<u>ACCOUNTS RECEIVABLE JUNE 30, 2000</u>	<u>TOTAL REVENUES</u>
Income not available	\$18,998	\$70	\$19,068
Major state revenues:			
Structural Pest Control Commission Fund:			
Licenses, permits, and fees	561,732	85,328	647,060
Miscellaneous	8,355	500	8,855
Feed Commission Fund - interest income	21,535		21,535
Fertilizer Fund - interest income	17,697		17,697
Louisiana Agricultural Finance Authority Fund:			
Interest income	507		507
Miscellaneous	7,013		7,013
Pesticide Fund - miscellaneous	2,500,900		2,500,900
Forest Protection Fund - other taxes	792,037	1,097	793,134
Boll Weevil Eradication Fund:			
Licenses, permits, and fees	9,071,490	411,327	9,482,817
Miscellaneous	10,000,023	4,004,483	14,004,506
Agricultural Commodity Commission Self-Insurance			
Program - miscellaneous	46,819	2,224	49,043
Subtotal - major state revenues	23,028,108	4,504,959	27,533,067
Total non-appropriated revenues	\$23,047,106	\$4,505,029	\$27,552,135

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
APPROPRIATED FUNDS**

**Schedule of Adjustments to Original
Approved Budgets
For the Year Ended June 30, 2000**

	<u>AUXILIARY</u>	
	<u>GENERAL APPROPRIATION</u>	<u>FARM YOUTH LOAN PROGRAM</u> <u>LOAN PROGRAM OF THE MARKET COMMISSION</u>
Original approved budget	\$108,726,666	\$620,000
Increases for:		
Shift of funding for continuing operations:		
Boll Weevil Eradication Program	368,897	(368,897)
Nurseries Program		(319,315)
Additional statutory dedicated funds:		
Feed Commission Fund	331,351	
Forestry Productivity Fund	1,092,297	
	<u>1,092,297</u>	<u></u>
Total Budget Amounts	<u>\$110,519,211</u>	<u>\$620,000</u>

APPROPRIATIONS			
INDIAN CREEK RESERVOIR AND RECREATION AREA	NURSERIES PROGRAM	AGRICULTURAL COMMODITIES COMMISSION SELF- INSURANCE PROGRAM	TOTAL
\$313,664	\$1,875,792	\$150,000	\$117,687,122
	319,315		
			331,351
			1,092,297
<u>\$313,664</u>	<u>\$2,195,107</u>	<u>\$150,000</u>	<u>\$119,110,770</u>

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Commission Members
For the Year Ended June 30, 2000**

	<u>NUMBER</u>	<u>AMOUNT</u>
LOUISIANA ADVISORY COMMISSION ON PESTICIDES		
Virgil J. Bourque, Jr.	3	\$120
Grady Coburn (Ph.D.)	3	120
Robert "Shep" Crigler	1	40
Doug Duty	2	80
Max Edwards	2	80
Billy Guthrie	2	80
Zoren O'Brien	1	40
Gary Ross (Ph.D.)	2	80
Vicki Taylor	1	40
Matthew Yates	2	80
		<u>80</u>
Total		<u><u>\$760</u></u>
LOUISIANA AGRICULTURAL COMMODITIES COMMISSION		
Floyd Carter, Sr.	5	\$200
James Hoppe	4	160
Joe Jackson	3	120
Jerry Johnston	4	160
Rodney Kendrick, Jr.	3	120
Blaine Koch	1	40
Tom LeJeune	3	120
Leslie Rodrigue	5	200
Joel Vincent	5	200
		<u>200</u>
Total		<u><u>\$1,320</u></u>
DAIRY STABILIZATION BOARD		
Vincent A. Cannata	1	\$30
Mary Caplinger	1	30
George McKenzie	1	30
Hillar Moore	1	30
Vernon Toups	1	30
		<u>30</u>
Total		<u><u>\$150</u></u>
HORTICULTURE COMMISSION		
James Simpson	4	<u><u>\$160</u></u>

(Continued)

Schedule 5**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Schedule of Per Diem Paid Commission Members, 2000**

	<u>NUMBER</u>	<u>AMOUNT</u>
LOUISIANA AGRICULTURAL FINANCE AUTHORITY		
Fred Bolding	3	\$120
Ted Glaser	3	120
Michael Hensgens	1	40
J. Wade O'Neil, III	3	120
Preston Rogers	1	40
Willie Smith	2	80
Total		<u>\$520</u>
STATE MARKET COMMISSION		
Fred Bass	1	\$40
Susan Dupont	1	40
Elvadus Fields	1	40
W. G. McNeil	1	40
W. A. "Monte" Moncrief	1	40
Bartol Taliancich	1	40
Dan Volentine	1	40
Total		<u>\$280</u>
STATE SOIL AND WATER CONSERVATION COMMITTEE		
A. Lee Allee	8	\$280
Pedro Angelle	10	350
Randell Fletcher	4	140
George Guillory	1	35
Harry R. Henderson	1	35
Jerry Holmes	8	280
Richard Netterville	8	280
Terry J. Smith	6	210
Thad Spurlock	11	385
Thomas Vitrano (Ph.D.)	3	105
John Woodward	2	70
Total		<u>\$2,170</u>
LOUISIANA COMMISSION OF WEIGHTS AND MEASURES		
Joseph Moreaux	1	\$40
J. C. Sharp	1	40
Morris Weinstein	1	40
Total		<u>\$120</u>

(Concluded)

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
ANCILLARY APPROPRIATION FUNDS**

**Schedule of Auxiliary Account Balances
For the Year Ended June 30, 2000**

	<u>FARM YOUTH LOAN PROGRAM</u>	<u>LOAN PROGRAM OF THE MARKET COMMISSION</u>	<u>INDIAN CREEK RESERVOIR AND RECREATION AREA</u>	<u>NURSERIES PROGRAM</u>	<u>AGRICULTURAL COMMODITIES COMMISSION SELF-INSURANCE PROGRAM</u>
Cash and cash equivalents	\$257,226	\$81,218	\$4,691	\$1,228,834	
Receivables			16,287		
Loans receivable	181,807	3,273,850			
Inventory of materials and supplies				838,689	
Accounts payable			36	21,976	
Advances due to state treasury		800,000			
Due to others (General Fund for freeze)				319,315	
Reserved for continuing operations	439,034	2,555,069	20,942	901,460	
Reserved for inventory of materials and supplies				838,689	
Revenues	9,401	118,817	326,245	1,888,330	\$150,000
Expenditures	830	249,554	310,719	2,014,234	150,000

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws, regulations, contracts, and grants and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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December 20, 2000

Report on Compliance and on Internal Control Over Financial Reporting
Based Solely on an Audit of the Financial Statements Performed
in Accordance With Government Auditing Standards

HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose financial statements of the Louisiana Department of Agriculture and Forestry, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Louisiana Department of Agriculture and Forestry's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Failure to Remit Cash Balances
to the State Treasury**

The Department of Agriculture and Forestry did not remit excess cash balances on hand totaling \$1,435,551 to the state treasurer in accordance with Louisiana Revised Statute (R.S.) 39:82. R.S. 39:82 states, "All cash balances occurring from appropriations made by legislative act . . . regardless of date of passage to any state agency for which no bona fide liability exists on the last day of each fiscal year shall be remitted to the state treasurer by the fifteenth day following the last day of the fiscal year." The revised statute goes on to say, "No state agency receiving an appropriation in the general appropriations act shall obligate any such funds . . . after the close of business on the last day of each fiscal year."

LEGISLATIVE AUDITOR

**HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 20, 2000

Page 2

Management considered the funds that had been appropriated for the Formosan Termite Program for fiscal year ended June 30, 2000, to be state General Fund monies. General Fund monies normally lapse at year-end, making them unavailable to the department for future expenditures. To avoid losing the funds, the department transferred these funds to the Louisiana Agricultural Finance Authority (LAFA). LAFA retained the funds to finance Formosan Termite Program expenditures in the next fiscal year. As of November 3, 2000, LAFA had only expended \$155,850 of these funds for the program.

The department violated R.S. 39:82 when the cash balance on hand totaling \$1,435,551 was not returned to the state treasury and when additional expenditures of \$155,850 were incurred. This occurred because management erroneously considered the source of the funds to be the state General Fund, which, if true, would mean that the funds would lapse and be unavailable for future expenditures. However, the funds were actually due to the *Formosan Termite Initiative Fund*, which is allowed to retain unexpended funds at year-end. Through this fund, the department would then be able to expend the funds for the program with the approval of the Joint Legislative Committee on the Budget.

The department should recoup \$1,435,551 from LAFA and remit the funds to the state treasury for deposit into the Formosan Termite Initiative Fund. The department should then seek approval from the Joint Legislative Committee on the Budget to withdraw funds from the Formosan Termite Initiative Fund to reimburse LAFA for the expenditures that have already been incurred on behalf of the department. Management did not concur that the funds should have been returned to the state treasury. Management contends that the transfer of the funds to LAFA and their retention by that entity are permitted by the statute that gives the department authority to seek LAFA's assistance to carry out the operations of the Formosan Termite Program. Management indicated that a request for a budget adjustment (BA-7) has been submitted to the Joint Legislative Committee on the Budget to move \$1,435,551 from LAFA into the Formosan Termite Initiative Fund (see Appendix A, page 1).

Additional Comments: We acknowledge the statute that gives the commissioner the authority to seek LAFA's assistance in the operation of the Formosan Termite Program. However, the ability to provide assistance does not give LAFA the authority to unlawfully retain funds that should be on deposit in the state treasury.

LEGISLATIVE AUDITOR

HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Compliance and Internal Control Report

December 20, 2000

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Noncompliance With Movable Property Regulations

The Department of Agriculture and Forestry did not comply with state movable property regulations regarding timeliness in which acquisitions should be added to the state's movable property system. Louisiana Administrative Code 34:VII.307 requires that all pertinent information regarding movable property items be forwarded to the Louisiana Property Assistance Agency (LPAA) within 45 days after receipt of the property.

A review of all property recorded in the LPAA system between July 1, 1999, and May 1, 2000, (1,687 items totaling \$3,301,821) disclosed that 368 of these items, totaling \$361,413, were not reported to LPAA within 45 days of acquisition as follows:

- Two hundred ninety-three items (80%) were added 46 to 60 days after receipt.
- Sixty-four items (17%) were added 61 to 100 days after receipt.
- Six items (2%) were added 100 to 200 days after receipt.
- Five items (1%) were added 200 to 285 days after receipt.

The department has a policy of adding movable property to the LPAA system only after receipt of the invoices that indicate the cost of the items. When these invoices are not received in a timely manner, the addition of a movable property item to the LPAA system is delayed.

The department's failure to update the movable property records in a timely manner increases the risk that movable property is not accurately reported in the financial statements, increases the risk of loss arising from unauthorized use, and subjects the department to noncompliance with state laws and regulations.

Management should establish adequate procedures to ensure that all qualified movable property items are recorded in the LPAA system within 45 days after receipt of the property. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2)

LEGISLATIVE AUDITOR

**HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 20, 2000

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Failure to Deposit Louisiana Rice Research Board Collections in the State Treasury

The Department of Agriculture and Forestry failed to properly deposit Louisiana Rice Research Board collections in the state treasury. R.S. 3:551.74(F)(1) states that collections of the Louisiana Rice Research Board "shall be deposited with the state treasurer . . ." In addition, Attorney General Opinion 99-299 concludes that the Louisiana Rice Research Board "must deposit the funds it receives in the state treasury."

Management of the department sought an Attorney General opinion to determine whether the board was exempt from depositing its funds in the state treasury based on Article VII, Section 9, Subsection 2 of the Louisiana Constitution of 1974. The Attorney General opinion ruled that the board was not exempt and, therefore, must comply with the statute. However, the department continues to disagree with the Attorney General ruling and has not properly deposited the funds in accordance with state law.

The department should immediately deposit Louisiana Rice Research Board balances and collections in the state treasury in accordance with state law. Management did not concur with the finding and recommendation. However, management stated that the department would begin to remit the funds on a monthly basis to the state treasury (see Appendix A, page 4).

Noncompliance With Performance Progress Report Regulations

The Department of Agriculture and Forestry has not established adequate internal control over its performance progress reports to ensure the reliability of the performance data. R.S. 39:87.3 requires that performance progress reports provide information on the agency's actual progress toward achievement of performance standards.

The review of the fourth quarter performance progress report for the department disclosed that 11 of 22 key performance indicators tested (50%) inaccurately reported the actual performance. Of these 11, five were inaccurately reported due to the late reporting of district offices; three were keypunch or mathematical errors; two did not have supporting documentation for the amount reported; and one was reported as the opposite of what the indicator was supposed to report.

These conditions occurred because management did not place sufficient emphasis on the accumulation of and reporting of its performance data. Failure to comply with state laws and regulations concerning performance reporting could result in penalties being assessed against the department.

LEGISLATIVE AUDITOR

**HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 20, 2000

Page 5

The department should establish an adequate review function to ensure that performance progress reports are accurate, reliable, and comply with state laws and regulations. Management concurred in part with the finding and recommendation. However, management outlined a plan of corrective action (see Appendix A, page 6).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Department of Agriculture and Forestry's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted the following matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana Department of Agriculture and Forestry's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Ineffective Internal Audit Function

For the ninth consecutive year, the Department of Agriculture and Forestry did not have an effective internal audit function to examine, evaluate, and report on its internal control and to evaluate its compliance with policies and procedures of the control system.

The department has an audit division as well as a section that monitors Food Distribution, a federal program. However, the audit division directs a majority of its audit efforts to various boards, commissions, and programs associated with the department, and most of its duties are regulatory in nature. The audit division does not perform an internal audit function, which would include a review of the department's accounting system and its policies and procedures. The audit division does not assess audit risk or the risk of fraud existing in the department's accounting system.

Considering the size of the department's assets totaling \$16,398,707 and revenues totaling \$55,176,616 for the year ended June 30, 2000, an effective internal audit function is needed to ensure that the department's assets are safeguarded and that the department's policies and procedures are adequate and uniformly applied.

The department should establish an effective internal audit function to provide management with an independent evaluation of internal control and transactions of the department. Management concurred in part with the finding and recommendation and

LEGISLATIVE AUDITOR

HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Compliance and Internal Control Report

December 20, 2000

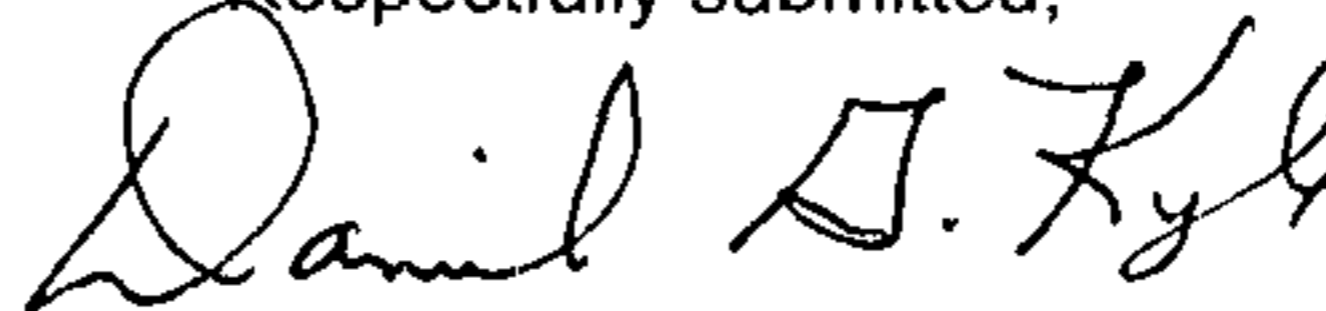
Page 6

stated that "... the Department has responded each time that we have insufficient funds and personnel to create an internal audit section. . . . In lieu of an internal audit section, we have implemented what we believe are adequate internal controls to safeguard the Department's assets and to ensure compliance with policies and procedures. Even without the receipt of adequate funding and positions from the Legislature, the Department will attempt to find within its appropriated funding, the means to support an internal auditor position during Fiscal Year 2000-2001" (see Appendix A, page 7).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Louisiana Department of Agriculture and Forestry and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

BQD:DLH:DSP:dl

[AGFOR00]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

BOB ODOM, COMMISSIONER

W.G. "BUD" COURSON, DEPUTY COMMISSIONER



November 28, 2000

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Dr. Daniel G. Kyle
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Re: Failure to Remit Cash Balances to the State Treasury

The Department of Agriculture and Forestry concurs in part with this finding.

The Department does not concur that these funds should have been remitted to the State Treasury. R.S. 3:3391.5(A) stipulates that, "The commissioner shall have the authority to seek the assistance of the Louisiana Agriculture Finance Authority to effect the provisions of this Part." It is the Department's position that it was appropriate to transfer these funds to LAFA in accordance with the law.

The Department does concur that the funds were actually due to the Formosan Termite Initiative Fund. In accordance with law, these unexpended funds are retained in the fund at year end.

The Department has submitted BA-7's to the Office of Planning & Budget to be included on the December agenda of the Joint Legislative Committee on the Budget. One BA-7 will place \$1,435,551 from LAFA into the Formosan Termite Initiative Fund. The second BA-7 will transfer \$2,000,000 in state general fund in the current fiscal year for the Formosan Termite Program to the Formosan Termite Initiative Fund.

Very truly yours,

Skip Rhorer
Assistant Commissioner

SR:sw



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

BOB ODOM, COMMISSIONER

W.G. "Bud" COURSON, DEPUTY COMMISSIONER



August 18, 2000

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Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

re: Noncompliance with Movable Property Regulations

The Department of Agriculture and Forestry concurs with this finding. I would like to emphasize that **all items were tagged**, but the Department's policy has been to add these items to the movable property inventory only after receipt of the invoices.

The Department has implemented the following measures and procedures to assure all movable property is added to the state's movable property system within the 45-day period.

1. One employee will be handling movable property as his only duty. This employee will dedicate all of his time to making sure the Department is in compliance with the property control rules and regulations.
2. The Department will continue to add new items to inventory using an invoice copy. However, a slight procedural change will allow the Department to make sure nothing falls outside the 45-day period. As items are tagged, the packing slip will list the tagging information and will be held pending receipt of an invoice copy. A due date will be marked on the packing slip as to when the item has to be added to the inventory in order to comply with the 45-day rule. If for some reason there are complicated billing problems (as happened with many items on the auditor's list), the items will be added to inventory without an invoice, using the purchase order price as the acquisition cost. However, the documentation for any item added to inventory without an invoice will be set aside in a holding tray. Once the invoice is received, the amount paid

Dr. Kyle
August 14, 2000
Page 2

will be compared to the amount showing on the inventory. Any necessary changes will be made, and the documentation will be filed as completed.

This method will allow us to meet both audit requirements -- adding items to inventory at cost paid, and adding them to the inventory within the 45-day period.

If additional information is needed, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Skip Rhorer".

Skip Rhorer
Assistant Commissioner

SR:sw



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

BOB ODOM, COMMISSIONER

W.G. "BUD" COURSON, DEPUTY COMMISSIONER



November 1, 2000

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Dr. Daniel G. Kyle
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

re: Failure to Deposit Louisiana Rice Research Board Collections
in the State Treasury

The Department of Agriculture and Forestry does not concur with this finding. It is the opinion of this office that the Department has been depositing Louisiana Rice Research Board funds in compliance with Article VII, Section 9, Subsection (A)(2) of the Louisiana Constitution of 1974. It is also the Department's opinion that this agency may continue to do so without violating either Article VII, Section 9(A)(2) or R. S. 3:551.74(F)(1). However, instead of remitting the funds directly to the Rice Research Board, this Department will remit the funds on a monthly basis to the State Treasury.

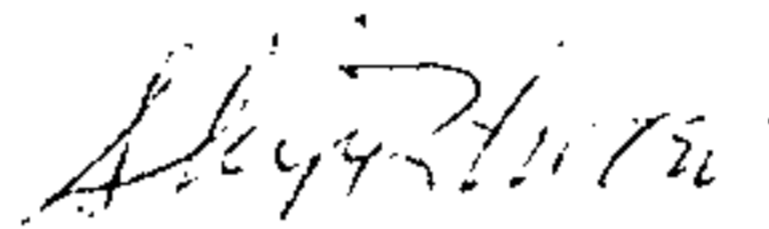
As was stated in your report, management of the Department sought an Attorney General opinion as to whether the Board, in his opinion, was exempt from depositing their funds in the State Treasury based on Article VII, Section 9, Subsection 2 of the Louisiana Constitution of 1974. The Attorney General Opinion No. 99-299 opined that the Board is not exempt, and therefore, must comply with the statute. Consequently, even though the Department believes the Attorney General's opinion to be in error, the funds will be deposited in the State Treasury as noted above.

It should be noted that Louisiana Attorney General Opinion No. 99-299 did, in fact, state that the Louisiana Rice Research Board is a promotion board for the purposes of Article VII, Section 9, Subsection 2 of the Louisiana Constitution of 1974. The Opinion also went on to specifically note the conflict between

Dr. Kyle
November 1, 2000
Page 2

Article VII, Section 9(A)(2) and R. S. 3:551.74(F)(1). Although provisions of the Louisiana Constitution take precedence over Louisiana statutes, the Attorney General's office is prohibited from issuing an opinion that states that a statute is in conflict with the Constitution. Thus, the Attorney General's Opinion is less than candid in that important regard.

Very truly yours,

A handwritten signature in black ink, appearing to read "Skip Rhorer".

Skip Rhorer
Assistant Commissioner

SR:sw



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

BOB ODOM, COMMISSIONER

W.G. "BUD" COURSON, DEPUTY COMMISSIONER



November 30, 2000

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Dr. Daniel G. Kyle
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

re: Noncompliance with Performance Progress Report Regulations

The Department of Agriculture and Forestry concurs in part with this finding.

The Department has set a specific date by which information must be reported from the district offices. That date is the 15th of the month before the reports are due, which will allow time for adequate review and analysis. Human fallibility will always be a part of this equation.

However, to further verify the accuracy of the performance data, we will require that supporting documentation be attached to each quarter's numbers when they are submitted to the Assistant Commissioner of Management and Finance. Additionally, each assistant commissioner will closely review and analyze the numbers and supporting documentation to ensure the accuracy and reliability of these reports.

Very truly yours,

Skip Rhorer
Assistant Commissioner

SR:sw

cc: Commissioner Bob Odom
Deputy Commissioner "Bud" Courson
Fiscal Officer Linda Chaney



BOB ODOM
COMMISSIONER

Louisiana Department of Agriculture & Forestry
Office of Management & Finance
Post Office Box 3481
Baton Rouge, Louisiana
70821-3481



SKIP RHORER
ASSISTANT COMMISSIONER

August 8, 2000

Dr. Daniel G. Kyle
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

re: Ineffective Internal Audit Function

The Louisiana Department of Agriculture and Forestry concurs in part with the above referenced finding, and is aware that this finding has been mentioned in previous audits. It should be noted here that the Department has responded each time that we have insufficient funds and personnel to create an internal audit section. This past fiscal year, the Department had to absorb the 27th pay period, plus an Executive Order reduction of \$2,000,409, resulting in this Department being the only state agency having to implement a reduced work week for all employees for four pay periods.

In lieu of an internal audit section, we have implemented what we believe are adequate internal controls to safeguard the Department's assets and to ensure compliance with policies and procedures.

Even without the receipt of adequate funding and positions from the Legislature, the Department will attempt to find within its appropriated funding, the means to support an internal auditor position during Fiscal Year 2000-2001.

Very truly yours,

Skip Rhorer
Assistant Commissioner

SR:sw